May 30, 2013 Redevelopment Bond Refunding Program Webinar Q&A

Questions and Answers

Q: What percentages of the funds go to the County for handling the refinancing process?

A: The County will not charge any fee for handling the refinancing process and will benefit only from the excess residual that is generated from debt service savings. The County's percentage share of this residual will typically range from 15% to 30% of the total amount received by local taxing agencies. Note that this range changes not only by City, but by the specific tax rate area within a City. For those entities that have a residual distribution, the County General Fund might receive somewhere around 20% of the savings. For example, if there were 10 million dollars in savings over 20 years, then the County would benefit by 2 million dollars over those 20 years. If the entity does not have any residual, then the County would not have any benefit until that entity starts generating savings through their Recognized Obligation Payment Schedule ("ROPS") process.

Q: Our Tax Allocation Bonds have a pledge of Redevelopment Property Tax Trust Fund ("RPTTF") and sales tax. Sales tax would only be used to the extent that the RPTTF does not provide coverage. We have never used sales tax in the past for payment on these Tax Allocation Bonds ("TABs") as our tax increment and RPTTF have been sufficient to make the debt service payments. Would it be likely that the sales tax pledge would be eliminated in a refunding?

A: The financing team would have to review the specific underlying bond documents to determine if the sales tax pledge would continue or if a refunding could be done without the pledge, thereby releasing the sales tax from the transaction. The final approach would depend in large part on the credit of the underlying issue. The County can perform a more detailed determination of the best approach after reviewing the specific Successor Agency documents. If your agency is interested in the review, you may contact the County directly. We can facilitate the review process through our financing team.

Q: My Successor Agency has a TAB with $2 million outstanding par amount and a maturity date of November 2020. Will the pool include shorter-term tranches to accommodate the refunding of bonds in this maturity range?

A: The main focus of the Program is to generate debt service savings, regardless of the size of the transaction. An analysis would have to be prepared for the particular Successor Agency to determine the amount of debt service savings, and then the decision would reside largely with the Successor Agency to see if they would wish to pursue the refunding transaction. Agencies with outstanding bonds that provide savings are encouraged to contact the County to have us perform the analysis. All refunding bonds would carry the same maturity as the original bonds we are refunding, so if the current outstanding bonds have a maturity of 2020, the refunding bonds will also have a 2020 maturity.

Questions and Answers
Q: Are a Successor Agency's consultant costs (legal, financial) also able to be paid for by ROPS if the refunding does not go through? -- A: Yes, with certain limitations, all reasonable expenses of the Successor Agency can be recovered should the refunding not be completed. In fact, the purpose in going to the Oversight Board first is specifically to allow for those costs to be recovered. As long as the expenses are related to the refunding and not to something else, they would be recoverable in the future. However, there does need to be room in the ROPS to pay those expenses after other obligations are funded.
Q: Will the County be reaching out to Successor Agencies with Tax Allocation Bonds which have callable maturities in 2013? -- A: Yes, the County will be reaching out to each of the Successor Agencies (approximately 46) that have qualifying refunding candidates for 2013. However, agencies that have callable Tax Allocation Bonds in 2013 don't need to wait for our call to initiate the process. We encourage you to contact the County directly.
Q: Will the debt service for the refinanced bonds still be placed on a Successor Agency's ROPS, or will the County pay the debt service directly from RPTTF, once the bonds have been refinanced? -- A: The actual mechanics as far as how the payment gets to the Trustee, and then to the bondholders, are still to be determined. There is the possibility of an assignment agreement or some form of intercept should that work to the benefit of both the County and the Successor Agency. However, the refunding bonds would still be obligations listed on the ROPS the same way the original Tax Allocation Bonds are currently listed. If the financing can be structured to have the funds flow directly to the Trustee, this would be a credit positive for the transaction and would be implemented through an assignment agreement or a form of intercept.

Questions and Answers
Q: How can we articulate the savings Successor Agencies will realize? For example will debt service payments take longer time than the current term(s)? -- A: The savings analysis is something the County and the underwriting team can put together. For the past couple of months, the County has been preparing individual refunding analyses for different financings containing various project areas. Each analysis is unique to the particular Successor Agency, and if you are interested in having this prepared, then you may contact the County directly. The actual savings that would be passed on to each taxing entity depends on how much residual that taxing entity receives. Also, some participants may have significantly higher interest rates on their current bonds, and therefore produce a larger dollar amount of savings than other participants. The greater the savings, the more the Successor Agency benefits on their ROPS process. All residual that remains after funding the ROPS would get divided through the same process that occurred on the first four ROPS and would be based on a percentage of the tax increment (or share of ad valorem taxes) to be received by the individual taxing entities within that Successor Agency's boundaries. With respect to the timing of debt service payments, the refunding will be designed to structure around the existing maturities of the bonds. So the refunding bonds would have the same maturity as the current outstanding bonds.
Q: When do we know the specific fees and charges that will be paid to the financing team? -- A: The specific fees will be determined once we know the size of our Program. There are economies of scale, so the larger the size then the smaller the relative fees. The County runs a very competitive RFP process, and the fees associated with the refunding should be significantly lower than what a Successor Agency can accomplish on a standalone basis.

Questions and Answers

Q: I have an 'A' rated TAB, but the pool may have TABs with lower credit ratings. Will these credit differences cause the interest rate to increase for my TAB?

A: The County's Program is intended to produce the greatest amount of savings, so it would only seek to pool like credits. The 'A' credits would be pooled together; the 'BBB' credits would be pooled together, and so forth. If there were unrated credits, then they would also be pooled together. The Program is also highly flexible and allows for a composite structure to be utilized for an individual series of bonds, so that it would not be adversely affected by the other credits. The County goal is to create savings for all the taxing entities and if it makes sense to pool credits, then we will take that route. Redevelopment is not one size fits all, and we will maintain flexibility as we move forward in structuring these transactions.

Q: Is there a way to watch the Webinar again or get a copy of the Webinar presentation?

A: Each Webinar is recorded and made available for viewing from our Redevelopment Dissolution website (http://redevelopmentdissolution.lacounty.gov). To view the May 30, 2013 Webinar Video click here. To view the Webinar presentation slides click here.

Q: Was the Webinar only offered to County Appointees? If so, should other Oversight Board members be notified to watch the Webinar video on the county website?

A: The training and associated materials provided by the county are available to all Oversight Board members regardless of who appointed them, and an invitation to participate in the Webinar was sent out to all members of each Oversight Board, as well as a wide variety of city staff and other interested parties.

Q: Is there a way to contact somebody at the county to answer questions about the Redevelopment Bond Refunding Program, or to submit further questions after the webinar?

A: Yes. The best way to submit questions to the LA County Redevelopment Bond Refunding Program Team is to send an email to redevelopmentbonds@ttc.lacounty.gov.